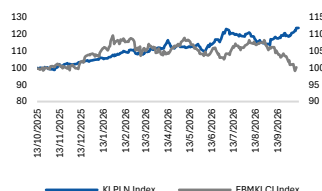


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KL Plantation Index vs FBMKLCI



Stock Picks

Company	Rating	Last Price as at 12 Oct 26	TP	Upside
SDG	BUY	5.94	7.60	31.9%
HAPL	BUY	2.31	3.13	42.2%
KLK	BUY	20.56	23.27	16.2%
SPLB	HOLD	4.48	4.51	6.7%
JPG	BUY	1.71	2.15	29.6%

Plantation Sector

Overweight (↔)

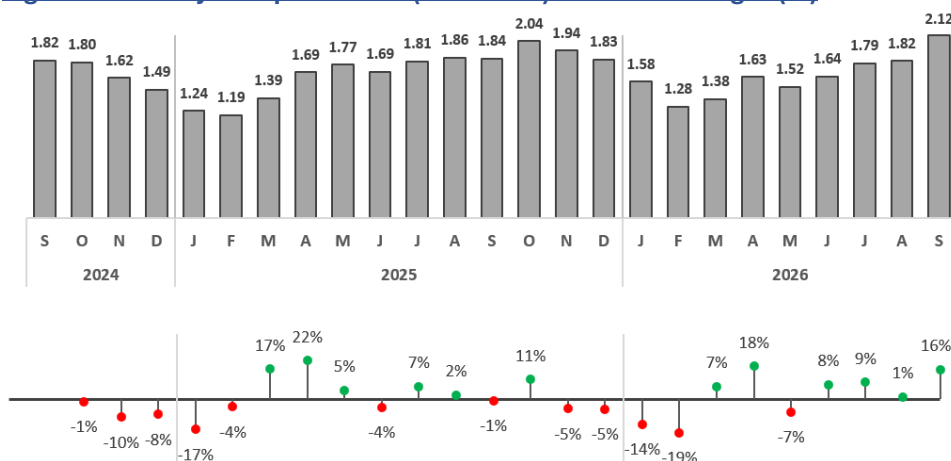
Inventories Surge on Peak Production, Lower Exports

- September CPO production rose 16.5% MoM to 2.12m tonnes, driven by Sabah and Peninsular Malaysia.
- September palm oil exports sequentially fell 12.1% MoM to 1.12m tonnes.
- Palm oil inventories surge 24.5% MoM to 3.51m tonnes in September, driven by peak production period and sequentially lower exports.
- Minimum wage increases will impact earnings from June 2027 onwards.
- Maintain Overweight and CY26/27 CPO average price forecast of RM 4,500/4,700. We expect 2HCY26 average CPO prices of RM 4,600 and 1H/2HCY27 average CPO prices of RM4,800/RM4,600.

September CPO production at 2.12m tonnes. Total CPO production rose 16.5% MoM to 2.12m tonnes, representing an increase of 299.5k tonnes from August's revised 1.82m tonnes. Production increased across all three regions, led by Sabah (+118.7k tonnes; +35.0%), followed by Peninsular Malaysia (+112.9k tonnes; +10.9%) and Sarawak (+67.9k tonnes; +15.5%). The sharp increase is consistent with the seasonal production peak typically observed in September-October.

Relative to our CY26 CPO production forecast of 20.7m tonnes, cumulative output through September is estimated to have reached approximately 71% of our full-year expectations. We maintain our CY26 production forecast of 20.7m tonnes and beyond CY26, we continue to highlight potential downside risks to 1HCY27 production should lagged effects from El Niño-related weather stress materialize.

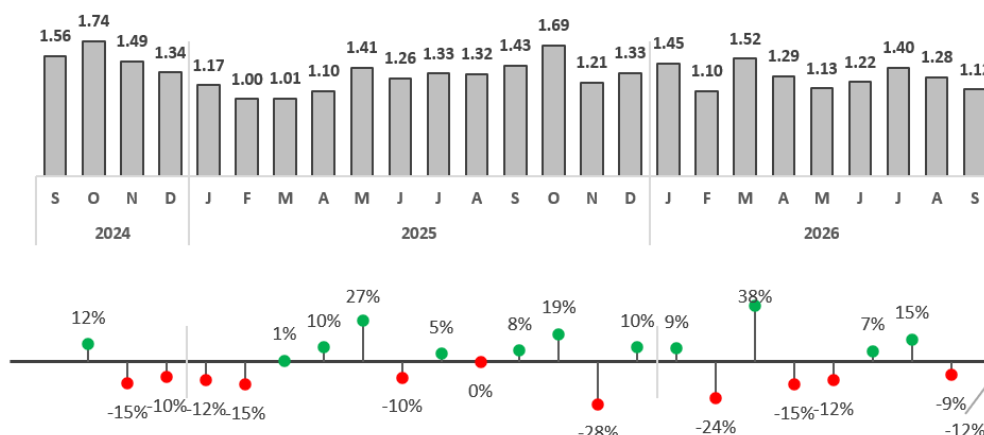
Figure 1: Monthly CPO production ('m tonnes) and MoM changes (%)



Source: MPOB, Apex Securities

Palm oil exports fell further in September. Palm oil exports fell 12.1% MoM to 1.12m tonnes, representing a reduction of 154.7k tonnes from August's revised 1.28m tonnes. This marks a second consecutive month of declining export volumes following July's stronger performance. The weaker export performance could reflect a combination of reduced purchasing requirements following earlier inventory front-loading in July, elevated edible oil inventories in major importing countries, and weaker Malaysian palm oil competitiveness relative to Indonesian supplies. Looking ahead, we continue to expect festive-season consumption to provide some underlying support to demand, although a sustained recovery in Malaysian exports may depend on improved price competitiveness and inventory drawdowns in India.

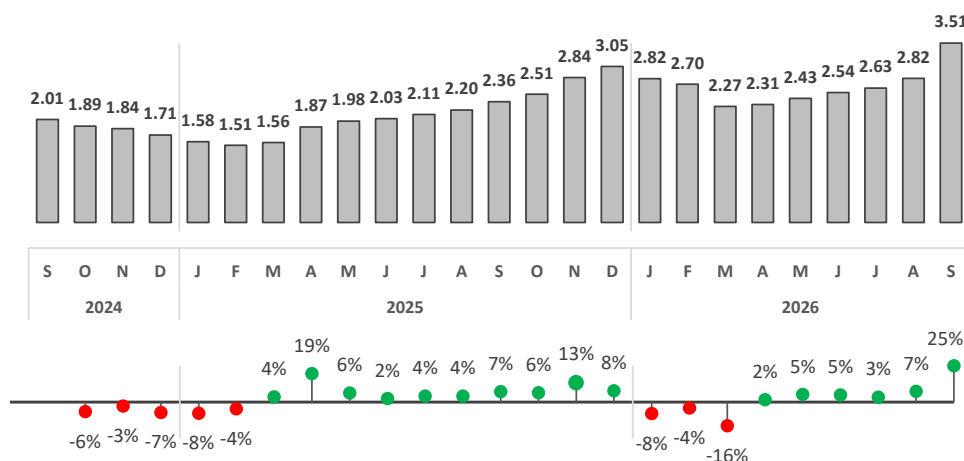
Figure 2: Monthly CPO export ('m tonnes) and MoM changes (%)



Source: MPOB, Apex Securities

Inventories surge to record in September. September total palm oil closing stocks surged 24.5% MoM to 3.51m tonnes, representing an increase of 691.8k tonnes from August's revised 2.82m tonnes. The increase was primarily driven by higher CPO inventories, which rose 522.9k tonnes (+31.9%) to 2.16m tonnes, while processed palm oil stocks increased 168.9k tonnes (+14.3%) to 1.35m tonnes. The substantial inventory buildup reflects the combination of stronger seasonal domestic production and weaker export shipments. Consequently, the stock-to-use ratio rose significantly to 2.46x from August's revised 1.73x. Looking ahead, we believe as we move past the production peak and exports stabilize, inventory drawdowns would gradually materialize.

Figure 3: Monthly CPO inventory ('m tonnes) and MoM changes (%)

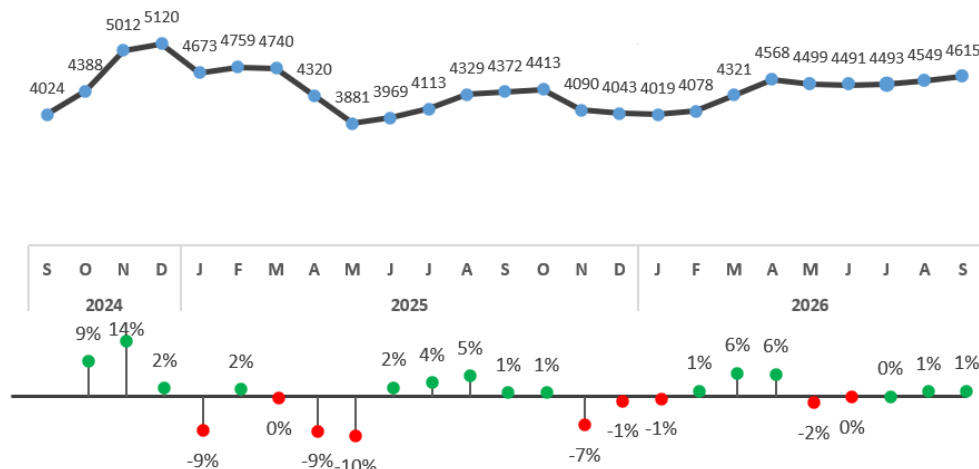


Source: MPOB, Apex Securities

CPO prices averaged RM 4,614.50 in September. CPO prices continue to remain elevated, rising 1.5% MoM with a low of RM 4,443 early in the month and a peak of RM 4,670. Notably, inventories have already exceeded our previously highlighted 3.0m-tonne threshold, pointing to a significantly looser near-term domestic supply-demand balance. This represented a headwind for CPO prices resulting in a significant pullback later in the month of September. Nevertheless, the expected inventory drawdowns should create tighter conditions in the final calendar quarter of the year. Furthermore, as we approach CY27, we reiterate that El-Nino supply tightness and stable demand together with biodiesel mandates should be supportive for CPO prices.

We maintain our CY26 average CPO price forecast of RM4,500/tonne and CY27 forecast of RM4,700/tonne, comprising RM4,800/tonne in 1H and RM4,600/tonne in 2H. Should the lagged impact of El Nino on yields persist into 2HCY27, it may introduce upside risk to our price assumptions.

Figure 4: 24-month MPOB CPO price trend (RM/tonne) and MoM changes (%)



Source: MPOB, Apex Securities

Minimum wage raised from RM1,700 to RM2,000. With Budget 2027, the minimum wage will rise to RM2,000 from RM1,700 (+17.6%) starting from June 2027. Although other adjacent/slight positive measures were included (the continued commitments to industrial developments and the manufacturing sales-tax reclaim), within our forecast horizon, we believe that the largest consideration would be the rise in monthly minimum wages affecting the sector. We had earlier anticipated that an increase in the minimum monthly wage to RM2,000 could affect the core net profit of our covered stocks by 2-10%. As the minimum wage increase will take place from June 2027, we make the following changes to our earnings and TP forecasts:

Figure 5: Old and New EPS and FV for covered stocks, change in EPS (%)

FY27			
RM	OLD	NEW	Change
HAPL EPS (sen)	26.50	25.08	-5.4%
TP	3.31	3.13	-5.4%
KLK EPS (sen)	129.00	125.80	-2.5%
TP	23.80	23.27	-2.2%
SDG EPS (sen)	38.88	38.36	-1.3%
TP	7.70	7.60	-1.3%
SPLB EPS (sen)	46.39	44.78	-3.5%
TP	4.67	4.51	-3.4%
JPG EPS (sen)	14.70	14.20	-3.4%
TP	2.23	2.15	-3.6%

Source: Apex Securities

Overweight. We maintain BUY on SDG (TP: RM 7.60), HAPL (TP: RM 3.13), KLK (TP: RM 23.27), and JPG (TP: RM2.15) while recommending a HOLD on SPLB (TP: RM4.51). While the minimum wage increase is expected to weigh on earnings, we remain Overweight on the sector. We expect the lagged effects of El Niño to weigh primarily on FFB yields in 1HCY27, while seasonal production patterns may support output in 2HCY27. However, should the supply impact persist beyond 1H27 and prove more severe than anticipated, upside risks to CPO prices would increase.

Peers Comparison

Company	FYE	Recommendation	Price (RM)	Target	Potential Upside/Downside	P/E (x)		P/B (x)		Dividend Yield	ESG Rating
			as at 12 Oct 26	Price (RM)		2026F	2027F	2026F	2027F		
Sime Darby Guthrie Bhd	Dec	BUY	5.94	7.60	31.9%	19.1	15.5	1.8	1.7	4.1%	★★★
Hap Seng Plantations Hldg Bhd	Dec	BUY	2.31	3.13	42.2%	10.0	9.2	0.8	0.8	6.5%	★★★
Kuala Lumpur Kepong Bhd	Sept	BUY	20.56	23.27	16.2%	16.9	16.3	1.4	1.3	3.1%	★★★
Sarawak Plantations Bhd	Dec	HOLD	4.48	4.51	6.7%	10.6	10.0	1.4	1.3	6.0%	★★★
Johor Plantations Group Bhd	Dec	BUY	1.71	2.15	29.6%	15.1	12.0	1.3	1.3	4.2%	★★★

Source: Apex Securities Bhd

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.**HOLD:** Total returns* are expected to be within +10% to – 10% within the next 12 months.**SELL:** Total returns* are expected to be below -10% within the next 12 months.**TRADING BUY:** Total returns* are expected to exceed 10% within the next 3 months.**TRADING SELL:** Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of **Tuesday, 13 Oct, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.